

## **Atria crosses 1 mn broadband subs, begins chase to overtake MTNL**

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MUMBAI: Which company in India boasts one million broadband subscribers while also running a cable TV business?

The answer is not the national multi-system operators (MSOs) such as Hathway Cable & Datacom, DEN Networks and Siti Networks Ltd (formerly Siti Cable Network), who found opportunity in ramping up their cable TV subscribers. It is Bengaluru-based Atria Convergence Technologies, which is backed by private equity firms India Value Fund Advisors (IVFA) and TA Associates.



For chief executive Bala Malladi, the next chase is to overtake state-owned telecom major MTNL and become the country's third-largest wired broadband service provider. He believes the new milestone will be achieved in the next few months, which will keep Atria behind state-owned behemoth BSNL and private telecom operator Bharti Airtel in the race.

As on 30 June 2016, Atria had 1.02 million wired broadband subscribers compared to MTNL's base of 1.10 million. BSNL is far ahead with 9.88 million subscribers, but Bharti Airtel with a base of 1.82 million is not untouchable. Hathway's standalone broadband subscriber base stood at 490,000 while at the consolidated level it has 720,000 subscribers. You Broadband, recently acquired by Vodafone, has 560,000 wired broadband subscribers.

Atria has already reached 1.05 broadband subscribers and is currently posting 30,000 net additions per month, reveals Malladi.

"We will run ahead of MTNL soon. We have the ambitious plan to touch two million broadband subscribers within 30 months with best-in-class customer service and state-of-the-art fibre product," says Malladi.

Leading the charge, Malladi expanded Atria's footprint to five new cities in the last two years. They are Coimbatore, Visakhapatnam, Vijayawada, Tirupati and Eluru, potential high-growth broadband cities in south India.



Atria's catchment areas for new subscribers will thus come from 11 cities. Hyderabad continues to be the main base of Atria where it has 550,000 subscribers and commands 70% of the wired broadband market in the city. Even as Malladi expects growth to slow down in the matured Hyderabad market, he expects other cities to pace up.

"We may add one or two cities in the next 30 months. But our main strategy will be to deepen our presence in the existing cities," says Balladi.

Unlike other broadband players, Atria's strategy has not been to spread far and thin. The focus has been to mop up subscribers from a concentrated belt in South India, evident from the fact that it provides wired broadband and cable TV services across Andhra Pradesh, Telangana, Karnataka and Tamil Nadu.

"We are different from the other broadband players in our approach as we prioritise depth over width. We go to the market with a good product and service rather than targeting cities and high-or-low ARPU customers. We start business ground up, construct a network and a data centre, and are very particular that the entire ground operations are manned by our trained employees," avers Malladi.

When India Value Fund acquired majority stake in Atria in 2008, the bigger plan was to cobble together regional MSOs, grow cable TV subscribers and work on broadband. Those were, after all, the days when cable TV valuations were up and the mantra was consolidation. Malladi joined as CEO of the company around that time.

"We acquired multiple businesses in coastal Andhra, Bengaluru, Nellore and Indore. We graduated into an MSO plus broadband company at a group level. We were aggressive in cable TV for the first four years," recalls Malladi.

The first big turn to broadband came in May 2009 when Atria acquired Hyderabad-based Beam Telecom. The broadband company had only 30,000 subscribers at that time. With clear focus on growth, Beam Telecom wrapped up half-a-million subscribers in September 2015.

"It is only in the last three years that our focus has become heavily skewed towards broadband. The profitability of the MSO business across the industry has always been fragile. After the introduction of digital

addressable system (DAS), we have not seen great transformation in the MSO business. While content cost has gone up, carriage revenue has fallen, and monetisation from the ground has not been significant. At an industry level, we have not seen anybody make significant headway. While we continue to grow our video business organically, we do not acquire other cable TV businesses right now,” says Malladi.

Malladi is targeting 1.2 million cable TV subscribers after Phase IV of DAS is complete. Currently, Atria has 800,000 video subscribers, out of which 600,000 are digital customers. “We have a fairly reasonable mass of cable TV business and should touch one million subscribers organically,” avers Malladi.

Atria’s broadband business has outstripped its cable TV operations. The company reached half-a-million broadband subscribers in June 2014, out of which Hyderabad accounted for 350,000.

“We were never a cable-only company. We have always been clear that we would enter consumer homes with a fat pipe offering multiple services,” explains Malladi.

The initial plan was to roll out IPTV services, but with consumers not willing to pay for it, the company killed its triple-play project. “We developed a great product but soon realised that customers are not ready to pay for it. The ARPU [average revenue per user] was Rs 120 in those days, but for IPTV to be viable, this had to be upwards of Rs 500 per month,” says Malladi.

Technology has always been Malladi’s focus area. Atria set up a digital headend at Nellore in 2008, started high-definition (HD) services and simultaneously worked on its broadband business. “It was the first digital headend in entire Andhra Pradesh. We had digital cable and broadband plans as early as 2008,” says Malladi.

With TA Associates coming in as the new investor, will Atria abandon its cable TV business?

“While we will continue to grow our broadband subscribers aggressively, we are not going to de-prioritise our cable TV business. We will have our legs in both the businesses,” says Malladi.

While the broadband business is entirely held in Atria, the cable TV operations are run through downstream subsidiaries.

IVFA’s new fund Indium V (Mauritius) owns 55% in Atria while TA Associates holds 40%. TA has brought in \$200 million for the shares and IVFA’s new fund \$300 million, valuing the company at \$526 million. In the new shareholding arrangement, the founder-promoters CS Sunder Raju and K Nagaraju will hold 5% stake.

Malladi is not fazed by the entry of Reliance Jio, at least not at this stage of the battle. “The impact will be felt in the wireless mobility business. Wireless and wired broadband cannot be strictly comparable. In fact, they can play a complementary role as the appetite for data consumption can explode. For things like HD videos, consumers will go to wired broadband,” he says.

Malladi also hopes that Atria’s go-to-the-market strategy will help protect its turf. “Our USP has always been fast speeds, highest downloads and very contemporary customer service,” he sums up.